

Message Text

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USDOC FOR BEWT/DOWNEY

E.O. 11652: GDS

TAGS: ETRD, ENRG, EEWT, UR, US

SUBJECT: DOW CHEMICAL PURCHASES OF SOVIET NEPHTHA

1. SUMMARY. DURING MEETING WITH COMMERCIAL ATTACHE JANUARY 6, DOW CHEMICAL REP GAVE RUN-DOWN ON CURRENT STATUS OF COMPANY'S PURCHASES OF SOVIET NAPHTHA. DOW REP NOTED, INTER ALIA, THAT SOVIET FOREIGN TRADE ORGANIZATION SOYUZNEFTEEXPORT HAS MADE CLEAR THAT SHOULD US-USSR OIL AGREEMENT BE REACHED, DELIVERIES TO DOW WOULD HAVE TO BE CREDITED AGAINST SOVIET OBLIGATIONS UNDER THAT AGREEMENT. COMMATT SUGGESTED THAT DOW OFFICIALS WOULD FIND IT USEFUL TO DISCUSS THIS MATTER WITH UNDERSECRETARY ROBINSON. END SUMMARY.

2. ACCORDING TO DOW REP, DOW IS BY FAR LARGEST SINGLE WESTERN PURCHASERS OF SOVIET NAPHTHA, TAKING 1.5 MILLION METRIC TONS ANNUALLY OUT OF TOTAL OF 3 MILLION METRIC TONS WHICH SOYUZNETFEEXPORT HAS AVAILABLE FOR SALES TO WESTERN COMPANIES. ALL OF SOVIET NAPHTHA IS BROUGHT INTO DOW'S TERNEUZEN (NETHERLANDS) COMPLEX. PURCHASES ARE CIF AND DELIVERIES ARE EXCLUSIVELY BY SOVIET SHIPS. SOVIETS USE 15,000/20,000 TON TANKERS FOR DELIVERIES, AND DOW REP OBSERVED THAT SOVIET TANKER CALLED AT DOW'S TERNEUZEN FACILITY EVERY THREE DAYS.

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3. ALTHOUGH COMMATT ATTEMPTED TO OBTAIN INFORMATION ON PRICES AND ON FORMULA USED TO ESTABLISH PRICES, DOW REP EAS UNWILLING TO PROVIDE SPECIFIC FIGURES. HE NOTED, HOWEVER, THAT PRICE WAS "ATTRACTIVE" AND WAS NEGOTIATED WITHOUT REFERENCE TO THE FRG FLOOR PRICE FOR NAPHTHA WHICH IS WIDELY USED IN WESTERN EUROPE. HE SAID THAT PRICES WOULD BE RAISED IN RESPONSE TO OPEC CRUDE PRICE INCREASE OF OCTOBER 1, 1975, BUT CURRENT DELIVERIES ARE TAKING PLACE UNDER PRICES AGREED PRIOR TO LATEST OPEC PRICE INCREASE. COMMATT ASKED WHETHER PRICE ADVANTAGE OF SOVIET NAPHTHA WAS RESULT OF USE OF SOVIET SHIPPING. DOW REP SAID THAT SHIPPING WAS NOT A MAJOR FACTOR. FROM DOW'S POINT OF VIEW, IT WAS PREFERABLE TO BUY CIF AS DOW DID NOT WANT TO ASSUME RESPONSIBILITY FOR LINING UP SHIPPING CAPACITY SUFFICIENT TO MOVE LARGE QUANTITY OF NAPHTHA INVOLVED. (COMMENT: IMPLICATION OF DOW REP'S VERY GUARDED REMARKS ON PRICE QUESTION WAS THAT DOW HAD NEGOTIATED ATTRACTIVE FOB PRICE FOR SOVIET NAPHTHA, AND THAT WHILE USE OF SOVIET SHIPS WAS ADVANTAGEOUS FROM DOW'S POINT OF VIEW, SHIPPING ARRANGEMENTS WERE NOT KEY TO MAKING LANDED PRICE ATTRACTIVE.

4. DOW REP ADVISED THAT DURING LATEST ROUND OF DISCUSSIONS WITH SOYUZNEFTEEXPORT, SOVIETS HAD RAISED POSSIBILITY THAT US-USSR OIL AGREEMENT MIGHT BE CONCLUDED. WERE THIS TO HAPPEN, SOYUZNEFTEEXPORT OFFICIALS MADE CLEAR, THEY WOULD EXPECT THAT NAPHTHA DELIVERIES TO DOW WOULD BE CREDITED TO THEIR OBLIGATIONS UNDER THIS AGREEMENT. DOW REP SAID THAT THIS POSITION WAS CAUSE OF SOME CONCERN FOR DOW, PARTICULARLY SINCE TERZEUZEN COMPLEX DEPENDS UPON SOVIET NAPHTHA DELIVERIES FOR MAJOR PORTION OF ITS FEED STOCK. COMMATT SUGGESTED THAT IN VIEW OF DOW'S POSITION AS MAJOR PURCHASER OF SOVIET PETROLEUM PRODUCTS AND IMPORTANCE OF THIS BUSINESS FOR DOW, IT WOULD BE USEFUL FOR DOW CHAIRMAN GERSTACKER OR PRESIDENT BRANCH TO MEET WITH UNDERSECRETARY ROBINSON.

5. ON GENERAL SUBJECT OF DOW'S BUSINESS WITH USSR, DOW REP SAID COMPANY'S 1975 TURNOVER WAS IN RANGE OF DOLLARS 230 MILLION, WITH DOW'S SALES ACCOUNTING FOR ROUGHLY DOLLARS 73 MILLION. ON PURCHASE SIDE, NAPHTHA ACCOUNTS FOR ABOUT DOLLARS 130 MILLION. (COMMENT: THIS INDICATES APPROXIMATE PRICE CIF TERNEUZEN OF DOLLARS 86.67/TON. END COMMENT).

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